

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2011-2-E - ORDER NO. 2011-319

APRIL 26, 2011

IN RE: Annual Review of Base Rates for Fuel Costs)	ORDER APPROVING
of South Carolina Electric & Gas Company)	FUEL COSTS AND
)	ADOPTING
)	SETTLEMENT
)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of the fuel purchasing practices and policies of South Carolina Electric & Gas Company (“SCE&G” or “Company”) and for a determination as to whether any adjustment in the fuel cost recovery factors is necessary and reasonable. The procedure followed by the Commission in this proceeding is set forth in S.C. Code Ann. § 58-27-865 (Supp. 2010). Specifically, S.C. Code Ann. § 58-27-865(B) states in pertinent part that, “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.” The period under review in this docket is January 1, 2010, through December 31, 2010.

By letter dated October 8, 2010, the Commission’s Clerk’s Office instructed the Company to publish a Notice of Hearing and Prefile Testimony Deadlines (“Notice”) in

newspapers of general circulation in the area affected by the Commission's annual review of the Company's fuel purchasing practices and policies by January 7, 2011. The Notice also instructed the Company to furnish the Notice to its customers by U.S. Mail, or by electronic mail to customers who have agreed to receive notice by electronic mail, by January 7, 2011. The Notice indicated the nature of the proceeding and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file appropriate pleadings. On January 4, 2011, the Company filed with the Commission affidavits demonstrating that the Notice was duly published in accordance with the Clerk's Office's instructions and certified that a copy of the Notice was furnished to each affected customer.

Timely Petitions to Intervene were received from CMC Steel South Carolina ("CMC Steel") and the South Carolina Energy Users Committee ("SCEUC"), which were not opposed. The South Carolina Office of Regulatory Staff ("ORS") is automatically a party pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2010).

The Commission convened a hearing on this matter on March 24, 2011, with the Honorable John E. Howard, Chairman, presiding. SCE&G was represented by K. Chad Burgess, Esquire; Matthew W. Gissendanner, Esquire; and Mitchell Willoughby, Esquire. SCEUC was represented by Scott Elliott, Esquire. CMC Steel and its counsel of record did not appear at the hearing. Jeffrey M. Nelson, Esquire, and Courtney D. Edwards, Esquire, represented ORS. In this Order, ORS, SCEUC, CMC Steel and SCE&G are collectively referred to as the "Parties" or sometimes individually as a "Party."

At the outset of the hearing, counsel for ORS presented the Settlement Agreement that was filed with the Commission on March 17, 2011. The signatories to the Settlement Agreement were SCE&G, ORS, and SCEUC (collectively, the “Settling Parties”). The Settlement Agreement was admitted into the record as Hearing Exhibit 1 and is attached hereto and incorporated herein as Order Exhibit No. 1. In the Settlement Agreement, the Settling Parties represented to the Commission that they had discussed the issues presented in this case and determined that each party’s interests and the public interest would be best served by settling all issues pending in this case in accordance with the terms and conditions contained in the Settlement Agreement.

S.C. Code Ann. § 58-3-140(A) (Supp. 2010) vests the Commission with the “power and jurisdiction to supervise and regulate the rates and service of every public utility in this State” In carrying out these duties in relation to the Settlement Agreement, the Commission’s published “Settlement Policies and Procedures” (Revised 6/13/2006) are applicable to guide this proceeding. Specifically, Section II of the Settlement Policies and Procedures, titled “Consideration of Settlements,” states:

When a settlement is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement for the Commission’s consideration of the settlement... [W]hen the settlement presents issues of significant implication for other utilities, customers, or the public interest, the Commission will convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or

otherwise in accordance with law or regulatory policy. Approval of such settlement shall be based upon substantial evidence in the record.

Because this case presented issues of significant implication for the utility and the public interest, a hearing was held to consider the merits of this case, including the Settlement Agreement, and we now proceed to evaluate the record in this proceeding.

Through their personal appearances, SCE&G presented the testimonies of George A. Lippard, III, Joseph K. Todd, Rose M. Jackson, Michael D. Shinn, Allen W. Rooks, and Stephen A. Byrne. Through their personal appearances, ORS presented the testimonies of Christina L. Seale and Michael L. Seaman-Huynh. The testimonies and exhibits of SCE&G Witnesses Lippard, Todd, Jackson, Shinn, and Rooks and the testimonies and exhibits of the ORS witnesses were stipulated into the record of the case without objection. At the request of SCE&G, certain portions of the testimony of SCE&G Witness Shinn were declared to be confidential by the Commission and will be maintained in the non-public records of the Commission and of the transcript of the hearing. *See* Commission Order No. 2011-176 dated March 2, 2011, issued in the above-referenced docket. SCE&G Witnesses Lippard, Todd, Jackson, Shinn, and Rooks were presented in a panel, and the ORS witnesses were presented individually. Each of the witnesses presented summaries of their testimony and then were made available to respond to questions propounded by the Commission.

SCE&G witnesses testified in support of the Settlement Agreement and on issues related to the prudence of SCE&G's fuel purchasing practices, plant operations, and fuel inventory management. SCE&G Witness Lippard discussed the operating performance

of the V.C. Summer Nuclear Station. SCE&G Witness Todd reviewed the operating performance of the Company's fossil/hydro units and of South Carolina Generating Company's Williams Electric Generating Station. SCE&G Witness Jackson provided testimony about the natural gas and nuclear fuel purchasing processes for SCE&G generation and discussed natural gas and uranium prices and the near term outlook. Company Witness Shinn discussed the Company's procurement and delivery activities for coal and No. 2 fuel oil for electric generation and the changes that have occurred in coal markets since the last annual fuel adjustment hearing and how these changes affected coal procurement during the period under review. Mr. Shinn also discussed the procurement and delivery of limestone for the wet scrubbers at Wateree and Williams Stations. Company Witness Rooks provided actual fuel cost data for the historical period under review in this proceeding; provided the projected fuel costs for the period January 1, 2011, through April 30, 2012; and recommended fuel rates for the period of May 2011 through April 2012.

ORS Witness Seale testified and presented the results of the ORS Audit Staff's examination of the Company's books and records pertaining to the Fuel Adjustment Clause operation for the period of January 2010 through December 2010 and the Company's estimated calculations for the months of January through April 2011. ORS Witness Seaman-Huynh testified on the ORS Electric Department's findings and recommendations resulting from ORS's review of the Company's fuel expenses and power plant operations used in the generation of electricity during the period under review. Mr. Seaman-Huynh also testified that SCE&G acted reasonably when

responding to an electrical fire that caused an outage extension at the V.C. Summer Nuclear Station in 2009. The Settling Parties agreed to accept all adjustments and recommendations as set forth in ORS Witness Seale's and ORS Witness Seaman-Huynh's testimonies.

At the conclusion of ORS's case-in-chief, SCE&G presented, without objection, oral testimony from its Executive Vice President for Generation and Transmission and Chief Operating Officer, Mr. Stephen A. Byrne. SCE&G Witness Byrne testified about the recent natural disaster in Japan and the challenges faced by Tokyo Electric Power Company at its Fukushima Daiichi nuclear facility. Mr. Byrne also testified as to how the design and operation of V.C. Summer Nuclear Station differs from the design and operation of the units at the Japanese nuclear facility. SCE&G Witness Byrne's accompanying slide show presentation was admitted into the evidence of record, without objection, as Hearing Exhibit No. 5.

The testimony supported the terms of the Settlement Agreement regarding the appropriate fuel factors for SCE&G to charge for the period beginning with the first billing cycle in May 2011 and continuing through the last billing cycle of April 2012. Under the terms of the Agreement, SCE&G agrees to recover an amount equal to the actual base fuel under-collected balance as of April 30, 2011, which is projected to be \$59,504,695, over a two-year period commencing with the first billing cycle for May 2011. The Parties agree that SCE&G will be allowed to charge and accrue carrying costs monthly on an amount equal to the actual under-collected balance as of April 30, 2011, less \$29,752,347.50. The applicable interest rate used to calculate the carrying costs is

the rate of interest as of the first day of each month during the applicable period for the 3-year U.S. Government Treasury Note, as reported by *The Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points). The applicable period during which carrying costs may be applied begins May 1, 2011, and ends April 30, 2012, or when the under-collected balance is eliminated, whichever occurs first. The total carrying cost rate to include the 65 basis points shall not exceed 6%.

The Settlement Agreement describes how the two-year collection of the under-recovery and SCE&G's applicable carrying costs will operate. For the period of the first billing cycle of May 2011 through the last billing cycle of April 2012, SCE&G shall recover, in addition to its forecasted fuel costs, one half of the projected under-collected balance, which is \$29,752,347.50, in the fuel rates set forth below. As described above, interest on the remaining portion of the actual under-collected balance as of April 30, 2011, shall accrue beginning May 1, 2011. The Settling Parties also agree that the first dollars recovered in the succeeding twelve months beginning with the first billing cycle for May 2011 shall be applied to the under-collected balance so that in the next fuel proceeding for SCE&G any under-recovery will be for the period May 1, 2011, through April 30, 2012.

For the period of the first billing cycle for May 2011 through the last billing cycle for April 2012, the Settlement Agreement sets forth the appropriate fuel factors for SCE&G to charge which are listed in the table below:

Class	Base Fuel Cost Component (cents/KWH)	Environmental Fuel Cost Component (cents/KWH)	Total Fuel Costs Factor (cents/KWH)
Residential	3.586	0.069	3.655
Small General Service	3.586	0.047	3.633
Medium General Service	3.586	0.038	3.624
Large General Service	3.586	0.016	3.602
Lighting	3.586	0	3.586

The remaining portion of the actual under-collected balance as of April 30, 2011, plus accrued interest for the period of May 2011 through April 2012 shall be recovered through SCE&G's base fuel cost component beginning with the first billing cycle in May 2012 and ending with the last billing cycle of April 2013.

After hearing the evidence and testimony of the witnesses and reviewing the Settlement Agreement, the Commission finds and concludes that the fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (Supp. 2010) of SCE&G are reasonable and prudent, and that approval of the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2010). The settlement allows recovery by SCE&G of fuel costs as precisely and promptly as possible and in a manner to assure public confidence and minimize abrupt changes in charges to customers. As such, it is in the public interest as a reasonable

resolution of the issues in this case. We also find that the resolution of issues among the Settling Parties as set forth in the Settlement Agreement does not appear to inhibit economic development.

IT IS THEREFORE ORDERED THAT:

1. The fuel purchasing practices and policies, plant operations, fuel inventory management, and all other matters associated with S.C. Code Ann. § 58-27-865 (Supp. 2010) of SCE&G are reasonable and prudent for the period January 1, 2010, through December 31, 2010.

2. The Settlement Agreement is incorporated herein by this reference, is found to be a reasonable resolution to the issues in this case, is in the public interest and is therefore hereby adopted and approved. The Commission also approves the tariff sheet attached to the Settlement Agreement as Exhibit A and entitled “Adjustment For Fuel And Variable Environmental Costs.”

3. SCE&G shall set its Base Fuel Cost Components, Environmental Fuel Cost Components, and Total Fuel Cost Factors consistent with the amounts set forth in the table below effective for bills rendered on and after the first billing cycle of May 2011, and continuing through the last billing cycle of April 2012:

Class	Base Fuel Cost Components (cents/KWH)	Environmental Fuel Cost Components (cents/KWH)	Total Fuel Costs Factors (cents/KWH)
Residential	3.586	0.069	3.655
Small General Service	3.586	0.047	3.633
Medium General Service	3.586	0.038	3.624
Large General Service	3.586	0.016	3.602
Lighting	3.586	0	3.586

4. SCE&G shall be allowed to charge and accrue carrying costs monthly on an amount equal to the actual under-collected balance as of April 30, 2011, less \$29,752,347.50.

5. The applicable interest rate used to calculate the carrying costs is the rate of interest as of the first day of each month during the applicable period for the 3-year U.S. Government Treasury Note, as reported in *The Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points). The total carrying cost rate to include the 65 basis points shall not exceed 6%. The applicable period during which carrying costs may be applied begins May 1, 2011, and ends April 30, 2012, or when the under-collected balance is eliminated, whichever is first.

6. The Parties shall abide by all terms of the Settlement Agreement.

7. SCE&G shall file with the Commission the tariff sheet approved by this Order entitled “Adjustment For Fuel And Variable Environmental Costs” and all other retail tariff sheets within ten (10) days of receipt of this Order, and also serve copies on the Parties. The fuel rates reflected in any such tariff sheets shall be consistent with the components and factors set forth in ordering Paragraph No. 3 above.

8. SCE&G shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865(B) (Supp. 2010).

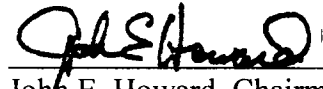
9. SCE&G shall continue to file the monthly reports as previously required. SCEUC shall be provided a copy of the monthly reports.

10. SCE&G shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit. ORS shall monitor the cumulative recovery amount.

11. SCE&G shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

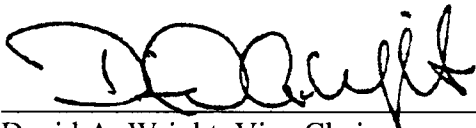
12. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



John E. Howard, Chairman

ATTEST:



David A. Wright, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2011-2-E

March 17, 2011

IN RE:)	
)	
South Carolina Electric & Gas Company -)	SETTLEMENT AGREEMENT
Annual Review of Base Rates for)	
Fuel Costs)	
_____)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”), and South Carolina Electric & Gas Company (“SCE&G”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. §58-27-865 (Supp. 2010), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. ORS’s review of SCE&G’s operation of its generating facilities resulted in ORS concluding that SCE&G has made reasonable efforts to maximize unit availability. Additionally,

ORS has determined that SCE&G took appropriate corrective action with respect to any outages that occurred during the review period.

2. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

a. SCE&G witnesses:

- i. George A. Lippard, III
- ii. Joseph K. Todd
- iii. Michael Shinn
- iv. Rose Jackson
- v. Allen W. Rooks

b. ORS witnesses:

- i. Christina L. Seale
- ii. Michael L. Seaman-Huynh

3. The Parties agree to accept all adjustments and recommendations as put forth by ORS in the testimony of ORS witnesses Christina L. Seale and Michael L. Seaman-Huynh.

4. SCE&G's net cumulative (under)-recovered balance of total fuel costs for the periods ending December 2010 and April 2011 are (\$72,832,265) and projected to be (\$58,912,751), respectively. As of December 2010, the net cumulative (under)-recovered balance of (\$72,832,265) consists of cumulative (under)-recovered base fuel costs of (\$76,013,131) and cumulative over-recovered environmental costs of \$3,180,866. As of April 2011, the projected net cumulative (under)-recovered balance of (\$58,912,751) consists of cumulative (under)-recovered base fuel costs of (\$59,504,695) and cumulative over-recovered environmental costs of \$591,944.

5. SCE&G agrees to recover an amount equal to the actual base fuel under-collected balance as of April 30, 2011, which is projected to be \$59,504,695, over a two year period commencing with the first billing cycle for May 2011. The Parties agree that SCE&G will be allowed to charge and accrue carrying costs monthly on an amount equal to the actual under-collected balance as of April 30, 2011, less \$29,752,347.50. The applicable interest rate used to calculate the carrying costs under this Settlement Agreement is the rate of interest as of the first day of each month during the applicable period for the 3-year U.S. Government Treasury Note, as reported by the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points). The applicable period during which carrying costs may be applied pursuant to this Settlement Agreement begins May 1, 2011 and ends April 30, 2012 or when the under-collected balance is eliminated, whichever occurs first. The total carrying cost rate to include the 65 basis points shall not exceed 6%.

6. The two-year collection of the under-collected balance and its applicable carrying costs shall operate as follows:

- a. For the period of the first billing cycle of May 2011 through the last billing cycle of April 2012, SCE&G shall recover, in addition to its forecasted fuel costs, one-half of the projected under-collected balance, which is \$29,752,347.50, in the fuel rates set forth in Paragraph 8 below. As described in Paragraph 5 above, interest on the remaining portion of the actual under-collected balance as of April 30, 2011 shall accrue beginning May 1, 2011.
- b. The remaining portion of the actual under-collected balance as of April 30, 2011 plus accrued interest for the period of May 2011 through April 2012 shall be recovered through SCE&G's base fuel cost component beginning with the first billing cycle in May 2012 and ending with the last billing cycle of April 2013.

7. The Parties agree and recommend that the first dollars recovered in the succeeding twelve months beginning with the first billing cycle for May 2011 shall be applied to the under-collected balance so that in the next fuel proceeding for SCE&G any under-collected balance will be for the period May 1, 2011 through April 30, 2012.

8. The appropriate fuel factors for SCE&G to charge pursuant to this Settlement Agreement for the period beginning with the first billing cycle in May 2011 extending through the last billing cycle for April 2012 are listed below and set forth in the tariff sheet entitled "Adjustment for Fuel and Variable Environmental Costs," which is attached hereto as Exhibit A.

Class	Base Fuel Cost Component (cents/KWH)	Environmental Fuel Cost Component (cents/KWH)	Total Fuel Costs Factor (cents/KWH)
Residential	3.586	0.069	3.655
Small General Service	3.586	0.047	3.633
Medium General Service	3.586	0.038	3.624
Large General Service	3.586	0.016	3.602
Lighting	3.586	0	3.586

9. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2010). Except as described in this paragraph, the Parties further agree that any and all challenges to SCE&G's historical fuel costs recovery for the period ending December 31, 2010, are not subject to further review; however, the projected fuel costs for the period beginning January 1, 2011, and thereafter shall be an open issue in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (Supp. 2010). The Parties acknowledge that the V.C. Summer Plant was subject to an outage extension that occurred in 2009 as a result of an electrical fire. ORS conducted an extensive review of the Nuclear Regulatory Commission's and SCE&G's reports on the outage, and ORS concluded that SCE&G responded appropriately.

10. SCE&G agrees to apply any money received from litigation, arbitration, or negotiated settlements with coal suppliers, where the dispute is for non-deliveries, defaults or other similar non-performance issues or for other matters related to or associated with S.C. Code § 58-27-865, to reduce the fuel costs' account(s). SCE&G also agrees to provide to the parties with reports showing SCE&G's efforts to seek compensation for non-deliveries, defaults or other similar non-performance upon request.

11. SCE&G agrees to provide to ORS and SCEUC the following:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts beginning with the quarter ending June 30, 2011 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over (under)-collected balance to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding; however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceedings.

12. The Parties agree this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 in any future proceeding.

13. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2010). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;

- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services."

14. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

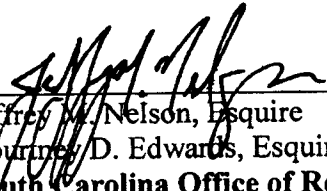
15. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

16. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various

signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

WE AGREE:

Representing and binding the South Carolina Office of Regulatory Staff



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Representing and binding South Carolina Energy Users Committee



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SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

RETAIL RATES
(Page 1 of 2)

APPLICABILITY

This adjustment is applicable to and is part of the Utility's South Carolina retail electric rate schedules.

The fuel and variable environmental costs, to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formulas:

$$F_C = \frac{E_F}{S} + \frac{G_F}{S_1}$$

$$F_{EC} = \frac{E_{EC} + G_{EC}}{S_2}$$

$$\text{Total Fuel Rate} = F_C + F_{EC}$$

Where:

F_C = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E_F = Total projected system fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

- (B) Fuel costs related to purchased power such as those incurred in unit power and limited term power purchases where the fossil fuel costs associated with energy purchased are identifiable and are identified in the billing statement. Also, the cost of "firm generation capacity purchases," which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. Costs of "firm generation capacity purchases" includes the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

PLUS

- (C) Fuel costs related to purchased power (including transmission charges), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing Utility's avoided variable costs for the generation of an equivalent quantity of electric power.

Energy receipts that do not involve money payments such as diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G_F = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E_F and S.

S₁ = Projected jurisdictional kilowatt-hour sales, for the period covered by the fuel costs included in E_F.

F_{EC} = Customer class variable environmental costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

Effective Upon Approval by the Public
Service Commission of South Carolina

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

RETAIL RATES

(Page 2 of 2)

E_{EC} = The projected variable environmental costs including: a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, plus b) the cost of emission allowances, as used, including allowances for SO₂, NO_x, mercury and particulates minus net proceeds of sales of emission allowances, and c) as approved by the Commission, all other variable environmental costs incurred in relation to the consumption of fuel and air emissions caused thereby, including but not limited to environmental reagents, other environmental allowances, and emission related taxes. Any environmental related costs recovered through intersystem sales would be subtracted from the totals produced by subparts a), b), and c).

These environmental costs will be allocated to retail customer classes based upon the customer class firm peak demand allocation from the prior year.

G_{EC} = Cumulative difference between jurisdictional customer class environmental fuel revenues billed and jurisdictional customer class environmental costs at the end of the month preceding the projected period utilized in E_{EC} and S₂.

S₂ = The projected jurisdictional customer class kilowatt-hour sales.

The appropriate revenue-related tax factor is to be included in these calculations.

FUEL RATES BY CLASS

The total fuel costs in cents per kilowatt-hour by customer class as determined by the Public Service Commission of South Carolina in Order No. _____ are as follows for the period May, 2011 through April, 2012:

<u>Customer Class</u>	<u>F_C Rate</u>	<u>+</u>	<u>F_{EC} Rate</u>	<u>=</u>	<u>Total Fuel Rate</u>
Residential	3.586		0.069		3.655
Small General Service	3.586		0.047		3.633
Medium General Service	3.586		0.038		3.624
Large General Service	3.586		0.016		3.602
Lighting	3.586		0.000		3.586